

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 064491
ORIGIN STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 TRSE-00 LAB-04
AGRE-00 STRE-00 SSO-00 INRE-00 USIE-00 NSCE-00
CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 NSAE-00 PA-01 CTME-00 AID-05 SS-15
ITC-01 SP-02 SOE-02 OMB-01 DOE-11 /106 R

DRAFTED BY STR:JGREENWALD/KAU
APPROVED BY STR:RRIVERS
COMMERCE FMONTGOMERY
TREASURY JRAY
STATE HKOPP
LABOR DPARKER
AGRICULTURE RSIMPSON
-----095728 140311Z /75
O 140203Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS IMMEDIATE
USMISSION GENEVA

LIMITED OFFICIAL USE STATE 064491

BRUSSELS,U.S. MISSION TO THE EC; MTN DEL GENEVA

E.O. 11652:

TAGS: ETRD, MTN

SUBJECT: SUBSIDIES (COUNTERVAILING MEASURES)

1. AT LAST WEEKS DISCUSSION WITH THE EC ON SUBSIDIES/
COUNTERVAILING MEASURES, U.S. AGREED TO GIVE EC (KLIEN)
REVISED PAPER TAKING INTO ACCOUNT CERTAIN EC CONCERNS.
REVISED PAPER WOULD THEN BE USED FOR FOLLOW-UP MEETING
IN BRUSSELS SCHEDULED FOR FRIDAY, MARCH 17TH.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 064491

2. MAJOR CHANGES ARE:

(A) IN CHAPEAU, CLARIFICATION OF PROPOSED PROVISIONS
GOVERNING COUNTERMEASURES AND INDICATION THAT IMPAIRMENT
"TRACK" WOULD INVOLVE AN ADVERSE EFFECT ON THE INTERESTS
OF THE COUNTRY CONCERNED.

(B) WITH REGARD TO INTERNAL SUBSIDIES, CLARIFICATION THAT COUNTERMEASURES TO BE LINKED TO EITHER INJURY FOR COUNTERVAILING DUTY ACTION OR ADVERSE EFFECT THROUGH IMPAIRMENT. ALSO CLARIFICATION THAT COUNTERMEASURES WOULD NOT REPEAT NOT FLOW AUTOMATICALLY FROM PARTICULAR PRACTICES LISTED.

(C) MODIFICATION OF LIST OF PRACTICES SO THAT CONCERN IS ON EXCESS - I.E. ONLY TO THE EXTENT THAT PRACTICES GO BEYOND IMPLIED GUIDELINE.

3. SET FORTH BELOW IS REVISED TEXT:

THE EXISTING GATT RULES WOULD PROVIDE THE STARTING POINT FOR AGREEMENT. THE EMPHASIS WOULD BE ON THE EFFECTS OF SUBSIDIES, NOT SUBSIDIES PER SE. THE DISTINCTIONS CURRENTLY IN THE GATT BETWEEN (A) INTERNAL AND EXPORT SUBSIDIES AND (B) SUBSIDIES ON PRIMARY (OR AGRICULTURE) AND NON-PRIMARY (OR NON-AGRICULTURAL) PRODUCTS WOULD BE RETAINED.

WITH REGARD TO COUNTERMEASURES, AGREEMENT WOULD BUILD UPON THE TWO TRACKS CURRENTLY IN THE GATT; (1) COUNTERVAILING DUTIES (UNDER ARTICLE VI) AND (2) COUNTERMEASURES (UNDER ARTICLE XXIII). COUNTERVAILING DUTIES COULD BE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 064491

IMPOSED CONSISTENT WITH THE PROVISIONS OF ART. VI, TO OFFSET SUBSIDIES WHERE SUBSIDIZED IMPORTS CAUSE OR THREATEN INJURY TO A DOMESTIC INDUSTRY OF ANOTHER SIGNATORY. COUNTERMEASURES MIGHT BE TAKEN UNDER THE SECOND TRACK WHERE A SUBSIDY PRACTICE ADVERSELY AFFECTS THE INTERESTS OF ANOTHER SIGNATORY THROUGH IMPAIRMENT OF BENEFITS UNDER THIS OR OTHER TRADE AGREEMENTS. AN ACCEPTABLE SECOND TRACK PROCEDURE WOULD REQUIRE A STRENGTHENING OF EXISTING CONSULTATIVE AND DISPUTE RESOLUTION PROCEDURES.

A. SUBSIDIES - GENERAL COMMITMENT

THERE WOULD BE A GENERAL COMMITMENT TO AVOID THE USE OF SUBSIDIES IN A MANNER WHICH CAUSES SERIOUS PREJUDICE TO THE INTERESTS OF ANOTHER SIGNATORY. THERE WOULD ALSO BE AN AGREED DEFINITION OF THE TERM "SUBSIDY".

B. INTERNAL SUBSIDIES

SIGNATORIES WOULD SEEK TO AVOID THE USE OF INTERNAL SUBSIDIES IN A MANNER WHICH EITHER CAUSES OR THREATENS

INJURY OR, THROUGH IMPAIRMENT OF TRADE AGREEMENT BENEFITS, ADVERSELY AFFECTS THE INTERESTS OF OTHERS. IN THIS CONNECTION, GOVERNMENTS WOULD SEEK TO AVOID SPECIFIC PRACTICES, NOTABLY:

- (A) GOVERNMENT PARTICIPATION IN AN ENTERPRISE TO THE EXTENT SUCH PARTICIPATION AFFECTS IMPORT OR EXPORT TRADE IN A MANNER INCONSISTENT WITH COMMERCIAL CON-

SIDERATIONS, INCLUDING PRICE; GOVERNMENT PARTICIPATION IN AN ENTERPRISE TO THE EXTENT SUCH PARTICIPATION IS FOR PURPOSES OF COVERING SIGNIFICANT OPERATING LOSSES OVER A SUSTAINED PERIOD OF TIME;

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 064491

- (B) REGIONAL DEVELOPMENT PROGRAMS TO THE EXTENT SUCH PROGRAMS PROVIDE ASSISTANCE BEYOND THAT NECESSARY TO COMPENSATE FOR THE ECONOMIC DISADVANTAGE OF LOCATING IN A PARTICULAR REGION VIS-A-VIS OTHER REGIONS IN THE COUNTRY;

- (C) GOVERNMENT GRANTS FOR AN INDIVIDUAL UNDERTAKING BY A PRIVATE ENTERPRISE IN EXCESS OF (X) OF THE TOTAL CAPITAL COST OF THE UNDERTAKING;

- (D) GOVERNMENT LOANS OR LOAN GUARANTEES OF A LOAN FOR AN INDIVIDUAL UNDERTAKING BY A PRIVATE UNDERTAKING IN EXCESS OF (X) OF THE TOTAL CAPITAL COST OF THE UNDERTAKING WHEN SUCH A LOAN OR GUARANTEE CARRIES AN EFFECTIVE INTEREST RATE (Y) BELOW THE RATE WHICH WOULD NORMALLY BE CHARGED BY COMMERCIAL BANKS FOR A SIMILAR LOAN; AND

- (E) PROVISION OF INFRASTRUCTURE SERVICES BELOW PRICE LEVELS NORMALLY PROVIDED FOR COMMERCIAL UNDERTAKINGS.

THE LISTED PRACTICES WOULD BE SUBJECT TO COUNTERMEASURES TO THE SAME EXTENT AS OTHER INTERNAL SUBSIDIES. HOWEVER, THEY WOULD PROVIDE INDICATIVE GUIDELINES.

C. EXPORT SUBSIDIES ON PRIMARY (OR AGRICULTURAL) PRODUCTS
- TO BE DEFINED

D. EXPORT SUBSIDIES ON NON-PRIMARY (OR NON-AGRICULTURAL) PRODUCTS -

COUNTRIES WOULD REAFFIRM THE COMMITMENT OF GATT ART. XVI:4 "NOT TO GRANT" EXPORT SUBSIDIES ON NON-PRIMARY (OR NON-AGRICULTURAL) PRODUCTS. AS PROVIDED IN THE US-EC LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 STATE 064491

PAPER CIRCULATED IN DECEMBER, VIOLATION OF THIS ART. XVI:4 COMMITMENT WOULD INVOLVE PRIMA FACIE IMPAIRMENT OF TRADE AGREEMENT BENEFITS. EXPORT SUBSIDY WITHIN THE MEANING OF ART. XVI:4 WOULD BE DEFINED AND THE PRESENT DUAL PRICING CRITERIA WOULD BE ELIMINATED. ALSO, THE 1960 ILLUSTRATIVE LIST WOULD BE UPDATED.

E. NOTIFICATION, CONSULTATION AND DISPUTE RESOLUTION

(PROVISIONS TO BE PRESENTED IN SEPARATE DRAFT) END TEXT.

4. RIVERS WILL HAND CARRY OTHER SUGGESTIONS (E.G. LANGUAGE ON NOTIFICATION, CONSULTATION, DISPUTE RESOLUTION) TO BRUSSELS.

5. FOR BRUSSELS, PLEASE TRANSMIT REVISED TEXT TO KLIEN (OR BESSLER); FOR GENEVA, PLEASE GIVE REVISED TEXT TO ABBOTT. VANCE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUBSIDIES, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE064491
Document Source: CORE
Document Unique ID: 00
Drafter: JGREENWALD/KAU
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780112-0430
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780370/aaaachim.tel
Line Count: 193
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 351a6ec7-c288-dd11-92da-001cc4696bcc
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3338173
Secure: OPEN
Status: NATIVE
Subject: SUBSIDIES (COUNTERVAILING MEASURES)
TAGS: ETRD, MTN
To: BRUSSELS GENEVA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/351a6ec7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014